

Message Text

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SUBJECT: MOVES TO NATIONALIZE FOREIGN PHARMACEUTICAL COMPANIES

SUMMARY: THE PRESSURE TO NATIONALIZE THE FOREIGN-OWNED PHARMACEUTICAL COMPANIES HAS INCREASED RECENTLY WITH THE INTRODUCTION OF LEGISLATION WHICH WOULD REQUIRE THEM TO SELL 80 PERCENT OF THEIR ASSETS TO COLOMBIANS OVER A FOUR YEAR PERIOD. THE BILL IS NOT RPT NOT SPONSORED BY THE CO. WHILE INDUSTRY OBSERVERS GIVE THE PROPOSED LAW LITTLE CHANCE OF PASSAGE IN THE NEAR FUTURE, THE SENTIMENT FOR COLOMBIANIZATION OF THE INDUSTRY IS STRONG AND IT WOULD APPEAR TO BE A QUESTION OF NOT IF IT WILL TAKE PLACE BUT WHEN. END SUMMARY

1. THE FOREIGN PHARMACEUTICAL COMPANIES, LONG A TARGET OF NATIONALIST SENTIMENT IN COLOMBIA, HAVE COME UNDER INCREASING PRESSURE RECENTLY FROM BOTH PUBLIC AND PRIVATE SOURCES. BASED ON UNOFFICIAL ESTIMATES, FOREIGN COMPANIES CONTROL OVER 90 PERCENT OF THE MARKET FOR PHARMACEUTICALS IN COLOMBIA WITH THE REST FRAGMENTED BETWEEN 125 SMALL COLOMBIAN-OWNED FIRMS.

2. ACCORDING TO THE COLOMBIAN ASSOCIATION OF PHARMA-
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CEUTICAL INDUSTRIES (ASINFAR), THE TREND TOWARDS

FOREIGN DOMINATION OF THE SECTOR BEGAN IN THE 1940'S WHEN SUCCESSIVE GOVERNMENTS OPENED THE DOOR TO FOREIGN INVESTMENT IN AN EFFORT TO STIMULATE TECHNOLOGICAL ADVANCES IN THE DOMESTIC INDUSTRY AND ALSO AS AN IMPORT SUBSTITUTION MEASURE. AS A CONSEQUENCE, FOREIGN INVESTMENT INCREASED RAPIDLY AS DID FOREIGN CONTROL OF THE MARKET. FOREIGN INVESTMENT, ESTIMATED TODAY AT 30 MILLION DOLLARS, IS SUPPLEMENTED BY WHAT ASINFAR DESCRIBES AS A FOREIGN MONOPOLY OF PATENTS, TECHNOLOGY AND SUPPLIES OF RAW MATERIALS FOR THE DOMESTIC COMPANIES.

3. ASFINAR ALSO CLAIMS THAT FOREIGN COMPANIES CONTROL 99 PERCENT OF THE PRODUCTS ON THE LIST PREPARED BY THE COLOMBIAN GOVERNMENT FOR CONSIDERATION AS PART OF A POSSIBLE ANDEAN PACT SECTORAL PROGRAM FOR PHARMACEUTICALS. WHILE RECOGNIZING THE BENEFITS TO COLOMBIA FROM THE PHARMACEUTICAL PROGRAM, ASFINAR LAMENTS THE FACT THAT IT WOULD DO NOTHING TO STRENGTHEN OR EXPAND DOMESTIC COMPANIES.

4. ALTHOUGH CONDUCTING A WELL-ORCHESTRATED PRESS CAMPAIGN AGAINST THE FOREIGN COMPANIES, ASINFAR,

PUBLICLY AT LEAST, HAS NOT CALLED FOR THEIR NATIONALIZATION. HOWEVER, NATIONALIZATION WILL BE REQUIRED IF THE CONGRESS APPROVES LEGISLATION RECENTLY INTRODUCED BY LIBERAL SENATOR JOSE IGNACIO VIVES. UNDER THE VIVES PROPOSAL WHICH IS NOT HOWEVER, GOC SPONSORED THE FOREIGN-OWNED COMPANIES WOULD BE GIVEN FOUR YEARS (BEGINNING JAN 1 FOLLOWING APPROVAL OF THE LAW) TO REDUCE THEIR EQUITY TO A MAXIMUM OF 20 PERCENT, SELLING DOWN AT A RATE OF 20 PERCENT A YEAR. MOREOVER, THE VIVES PROPOSAL WOULD PROHIBIT ANY FOREIGN-OWNED COMPANY FROM SIMPLY GOING OUT OF BUSINESS (EXCEPT IN CASES OF PROVEN BANKRUPTCY) AND WOULD AUTHORIZE THE MINISTER OF HEALTH TO INTERVENE AND CONFISCATE THE ASSETS OF ANY FOREIGN FIRM THAT TRIED TO DO SO.

5. COMMENT: COMPANY REPRESENTATIVES WITH WHOM WE HAVE SPOKEN GIVE THE VIVES PROPOSAL LITTLE CHANCE OF PASSING, AT LEAST IN THIS SESSION OF CONGRESS, BUT THEY LIMITED OFFICIAL USE

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RECOGNIZE IT AS ONE MORE ELEMENT IN THE CAMPAIGN TO COLOMBIANIZE THE PHARMACEUTICAL INDUSTRY. WHILE THE GOVERNMENT HAS NOT PROPOSED THAT THE FOREIGN PHARMACEUTICAL COMPANIES SELL A MAJORITY OF THEIR ASSETS TO COLOMBIANS (AS IS THE CASE WITH FOREIGN BANKS, OIL COMPANIES AND INSURANCE COMPANIES), SUCH A MOVE WOULD NOT BE INCONSISTENT WITH THE PHILOSOPHY OF LEADING GOVERNMENT FIGURES, INCLUDING PRESIDENT

LOPEZ. THE QUESTION THEREFORE MAY BE NOT IF THE
LOPEZ GOVERNMENT WILL SEEK TO COLOMBIANIZE THE IN-
DUSTRY, BUT WHEN.
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